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## Colombia

## Wine

## Imports of Wine and Liquors Increased 2004

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**Report Highlights:**

Colombian wine and liquor legal imports and tax collections have dramatically increased due to the large reduction in consumption taxes in 2003.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Bogota [CO1]  
[CO]

Legal imports and tax collections have dramatically increased for wine and liquors due to the large reduction in consumption taxes in 2003. Liquor imports into Colombia have traditionally faced two main restrictions; first the high taxes on imported liquors and second, the legal monopoly on distribution given to the regions, which in turn have the right to impose additional local taxes.

Tax Law 788 of 2002 (tax reform) modified the calculation of consumption taxes on alcohol containing beverages, moving from an Ad Valorem (percentage) tax applied on the customs value plus a 30% markup, to a specific levy based on the degrees of alcohol, as follows:

Alcohol degrees	Specific Levy Per grade of alcohol content.	
	Col pesos	U.S. Dollars *
<b>2.5 to 15</b>	122	0.04
<b>+ 15 to 35</b>	200	0.07
<b>+ 35</b>	301	0.11

Note: Currently applied per liter.

\* Exchange rate 2,700 pesos per \$

The value of the specific tax is adjusted annually for changes in inflation.

As a result of this change, the relative price of imported liquors (particularly high priced liquors) was dramatically reduced. The price reduction ranged from 10 to 40 percent according with the Importers Association.

Consumption of liquor legally imported is now displacing the previously high level of smuggled liquor. Supermarkets and specialized stores have become the main suppliers of imported alcohol beverages, since the price difference between legal and smuggled liquor has been reduced from 100 percent to less than 10 percent. The legal liquor sold through these outlets also has the added advantage of being less likely to be adulterated.

The reduction in smuggling and increased consumption can be seen in the large increase in official import trade data since the reduction in the consumption tax. The following table shows the change in imports.

Colombia: Liquor and Wines Imports ( 9 liters boxes)						
	2002 Jan - Dec	2003 Jan - Dec	2002-03 Growth	2003 Jan-March	2004 Jan-March	2002-03 Growth
<b>Wine</b>	<b>655,486</b>	<b>754,700</b>	<b>15.1%</b>	<b>73,397</b>	<b>134,698</b>	<b>83.5%</b>
Chilean	390,380	485,547	24.4%	49,055	80,082	63.2%
Others	265,106	269,153	1.5%	24,342	54,616	124.4%
<b>Liquors</b>	<b>358,171</b>	<b>477,755</b>	<b>33.4%</b>	<b>27,229</b>	<b>206,618</b>	<b>658.8%</b>
<b>Total</b>	<b>1,013,657</b>	<b>1,232,455</b>	<b>21.6%</b>	<b>100,626</b>	<b>341,316</b>	<b>239.2%</b>

Source: DIAN

The Government has increased the taxes collected due to the increased imports (and greater collection of import duties) and through expanded marketing through supermarkets and

specialty liquor stores that collect and pay consumption taxes. Figures from the National Regions Federation show the following increase in consumption taxes collected:

<b>Colombia: Tax Collection on Consumption of Imported liquors</b> <b>(\$ ,000 and percentages)</b>					
	<b>2002</b>	<b>2003</b>	<b>2002-03 Growth</b>	<b>2004</b>	<b>2004-03 Growth</b>
<b>January</b>	210.7	227.1	<b>7.8%</b>	2,932.9	<b>1191.6%</b>
<b>February</b>	398.8	394.8	<b>-1.0%</b>	1,171.4	<b>196.7%</b>
<b>March</b>	257.4	875.9	<b>240.3%</b>	2,568.0	<b>193.2%</b>
<b>April</b>	545.2	1,078.2	<b>97.7%</b>	966.1	<b>-10.4%</b>
<b>Total</b>	<b>1,412.2</b>	<b>2,575.9</b>	<b>82.4%</b>	<b>7,638.4</b>	<b>196.5%</b>

Source: National Regions Federation

The decrease in consumption taxes has been a highly successful policy, which has resulted in an increase in tax payments and a reduction in smuggling, benefiting the government, local distribution channels, imports and consumers.